

November 10, 2010

ITEM NO. A6

**AUTHORIZATION TO INCREASE FUNDING TO HUMANA HEALTHCARE
CONTRACT NO. 8073 FOR CHA EMPLOYEES' MEDICAL COVERAGE**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners ("Board") authorize the Chief Executive Officer or his designee to increase the funding to Contract No. 8073 ("Contract") with Humana Healthcare by an amount not-to-exceed \$161,000.00 for CHA employees' medical coverage. The contract's new aggregate not-to-exceed funding amount for medical coverage will be \$5,261,000.00.

FUNDING

General Fund

Vendor: HUMANA HEALTHCARE
Address: 500 W Main St
Louisville, KY 40202

Contract Type: Insurance Coverage Services
Base Contract Term: One (1) year, January 1, 2010 through
December 31, 2010
Option Periods Remaining: One (1) year
Original Contract Amount: \$5,100,000 NTE
Increased Base Term Amount: \$161,000 NTE
New Aggregate Contract Amount: \$5,261,000 NTE

M/W/DBE Participation:

Direct ___ % MBE ___ % WBE ___ % DBE
Indirect ___ % MBE ___ % WBE ___ % DBE
Waiver Yes
Section 3: N/A

EXPLANATION

The Humana Healthcare Contract (medical) covers eligible participants of the CHA and eligible participants of the CHA's affiliates for the benefit year of January 1, 2009 through December 31, 2010. Humana offers a full comprehensive medical plan with prescription drug coverage as part of the plan. This vendor was chosen due to the fact that Humana provides: 1.) a comprehensive and extensive PPO and HMO hospital and physician network for CHA; 2.) overall employee satisfaction with service; and 3.) competitive quotes among other large insurance carriers.

On October 15, 2008 the board authorized the CHA to enter into a contract with Humana HealthCare for the CHA's Employee Health Benefit Plan for medical benefits covering eligible

participants of the CHA and eligible participants of the CHA's affiliates for the benefit year of January 1, 2009 through December 31, 2009 for an amount not-to-exceed \$4,800,000 for the base term and an amount not-to-exceed \$5,100,000 for the option year January 1, 2010 through December 31, 2010.

On September 8, 2009 the broker for our employee benefits, Mesirow Financial, presented a renewal for Humana's 2010 medical rates that showed an increase of 5.75%. The estimated combined annual premium for HMO and PPO enrollees, based on the number of employees and current enrollments at the time, was approximately \$5,070,000 and did not exceed the amount authorized by the Board. The census in July 2009 (count 451) was utilized as the current population to project the 2010 covered members. However, the CHA has now determined that due to increased employee headcount and employee enrollment changes in FY2010, the total annual premiums for FY2010 will surpass the original authorized amount for FY2010 by approximately \$161,000.00, which will be needed to pay the premium for medical coverage on December 1, 2010. There were various factors that impacted the change from the 2009 projections requiring an increase in funding for FY2010. The employee changes for FY2010 are: increase of 86 PPO enrollments from HMO in the beginning of the year, enrolled headcount increased by 10 new members, new dependent coverage legislation change in 2010 covering dependents up to the age of 26, CHA Domestic Partner coverage policy revision, and qualified life events changes. Additionally, the CHA current census shows a few employees on COBRA were covered by the CHA for 3 months and 4 employees due to a personal leave of absence are currently covered at 100% by CHA.

The CHA employer-sponsored health coverage costs include premiums paid at 100% by affiliate employees, retirees and COBRA members, employee contributions and member cost-sharing provisions. To help keep costs in check for 2011, the CHA will be providing wellness programs and benefits partnering with CHA employees to take steps to promote healthier lifestyles.

Based on the foregoing, it is in the best interest of the CHA to authorize the Chief Executive Officer or his designee to increase the funding to Contract No. 8073 with Humana Healthcare by an amount not to exceed \$161,000.00 for CHA employees' medical health coverage. The contract's new aggregate not-to-exceed funding amount for medical coverage will be \$5,261,000.00.

RESOLUTION NO. 2010-CHA-142

WHEREAS, the Board of Commissioners of the Chicago Housing Authority has reviewed the Board Letter dated November 10, 2010, entitled, "AUTHORIZATION TO TO INCREASE FUNDING TO CONTRACT NO. 8073 WITH HUMANA HEALTHCARE FOR CHA EMPLOYEES' MEDICAL COVERAGE".

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT, The Board of Commissioners authorizes the Chief Executive Officer, or his designee, to increase the funding to Contract No 8073 with Humana Healthcare by an amount not-to-exceed \$161,000.00 for CHA Employees' medical coverage. The contract's new aggregate not-to-exceed funding amount for medical coverage will be \$5,261,047.00.

